

Message Text

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02
OPIC-03 LAB-04 SIL-01 OMB-01 HEW-04 /097 W
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R 091327Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 7159
INFO AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
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C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 11342

E.O. 11652: N/A
TAGS: PINT, ELAB, BE
SUBJECT: BELGIAN POLITICAL SCENE: TINDEMANS II
AFTER ONE YEAR - THE PERILS OF PAULINE (CONTINUED)

REF: A) BRUSSELS 10940, B) BRUSSELS A-25,
C) BRUSSELS 10371, D) BRUSSELS 7931, E) BRUSSELS 11271

1. SUMMARY. MUCH FLAP, MANY BEGINNINGS, BUT FEW SOLID ACCOMPLISHMENTS HAVE MARKED THE FIRST YEAR OF THE SECOND TINDEMANS GOVERNMENT. STILL IN SUSPENSE ARE THE TWO MAJOR TASKS: IMPLEMENTATION OF THE COMMUNITY ACCORDS, AND REFORM OF THE PUBLIC FINANCES. APROPOS OF THE LATTER, TINDEMANS, LIKE MACAWBER, TRUSTING THAT "SOMETHING WILL TURN UP", HAS LET SLIP FROM
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MID-JUNE TO MID-DECEMBER HIS DEADLINE FOR ACTION ON THE THORNIER ASPECTS OF HIS PROPOSED ANTI-CRISIS LEGISLATION. END SUMMARY.

2. NOT QUITE UNNOTICED, THE FIRST ANNIVERSARY OF LEO TINDEMANS' SECOND GOVERNMENT SLIPPED "QUIETLY" BY ON JUNE 3. THE DATE FOUND THE LARGE BUT UNGAINLY

COALITION STILL THRASHING ABOUT IN THE NOW-FAMILIAR, CONTINUING FLAP OF CRISIS MANAGEMENT -SHABA BEING THE MOST RECENT, AND POSSIBLY THE LEAST INGLORIOUS, OF THESE CRISES (REF A).

3. DEDICATED FROM ITS INCEPTION TO THE RESOLUTION - OR AT LEAST THE CONTAINMENT - OF THE PERENNIAL COMMUNITY (FLEMING VS. WALLOON) PROBLEM, TINDEMANS II PLODS ON IN THE DRAFTING OF A LEGAL BLUEPRINT FOR REGIONALIZATION (REF B), A TEXT WHICH IT PRESUMABLY STILL HOPES TO PRESENT TO PARLIAMENT BEFORE THE JULY RECESS. WHILE THE GOVERNMENT MIGHT EVENTUALLY SUCCEED IN PRODUCING SUCH A BILL, AND EVEN IN IMPLEMENTING ITS TRANSITIONAL PHASE, SEASONED OBSERVERS HERE DOUBT THAT THE FULL PANOPLY OF MEASURES DETAILED IN THE EGMONT-STUYVENBERG ACCORDS WILL EVER FIND THEIR WAY INTO LAW. AS ONE OBSERVER PUT IT, THE NUMBER ONE POLITICAL PROBLEM IN BELGIUM TODAY IS HOW DECENTLY TO BURY THE COMMUNITY PACT.

4. NEITHER ON THE ECONOMIC SIDE HAS TINDEMANS II ALTOGETHER MET EXPECTATIONS. WHILE INFLATION HAS BEEN TIGHTLY REINED (NOW ABOUT 4), PURCHASING POWER MAINTAINED, AND THE RISE IN UNEMPLOYMENT AT LEAST TEMPORARILY CHECKED, THE DEBIT SIDE SHOWS DECLINING INDUSTRIAL EMPLOYMENT (WITH 8500 ADDITIONAL LAYOFFS
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PROJECTED IN STEEL IN COMING YEARS), LOW INVESTMENT AND GROWTH LEVELS, AND A 1979 BUDGET DEFICIT PREDICTED BY SOME TO REACH THE BF 100 BILLION MARK. THE COALITION HAS MANAGED, HOWEVER, TO MAKE SOLID PROGRESS TOWARDS REFORM OF THE STEEL INDUSTRY (REF E).

5. POLITICALLY THE COALITION HAS BEEN NO MORE SATISFACTORY TO THE PARTNERS. THE FDF WAITS NERVOUSLY FOR REGIONALIZATION. THE VOLKSUNIE THUS FAR HAS FAILED TO REGIONALIZE THE ECONOMIC CRISIS TO THE DISADVANTAGE OF WALLONIA (THE CONTRARY IN STEEL - REF C). THE SOCIALISTS, WHILE MANAGING TO DEFEND THE "SOCIAL PARTRIMONY", ARE STILL WAITING ON STRUCTURAL CHANGE. AND THE DOMINANT SOCIAL CHRISTIANS HAVE AS YET BEEN UNABLE TO ENACT WHAT THEY SEE AS URGENT AND NECESSARY MEASURES TO REFORM PUBLIC FINANCE AND RE-LAUNCH THE ECONOMY.

6. NORMALLY THE EPITOME OF CONTROL, TINDEMANS OCCASIONALLY GIVES VENT TO HIS FRUSTRATIONS WHEN IT COMES HOME TO HIM THAT HE IS, IN FACT, HEAD OF A NATIONAL MEDIATION SERVICE RATHER THAN OF A GOVERNMENT

IN THE TRADITIONAL SENSE. IN HIS LAST MAJOR OUTBURST
TINDEMANS ON APRIL 12 ISSUED AN ULTIMATUM TO THE EFFECT
THAT, UNLESS AN "ANTI-CRISIS" BILL WERE VOTED WITHIN
THE ENSUING TWO MONTHS, HE WOULD "DRAW THE NECESSARY
CONCLUSIONS" - I.E. HE WOULD RESIGN (REF D). SCENTING
THE POSSIBILITY OF ACTION, THE INTEREST GROUPS SWIFTLY
PRESSED FORWARD WITH THEIR OWN PET PROJECTS, TRANSFORMING
TINDEMANS' ANTI-CRISIS BILL INTO AN AMORPHOUS POLITICAL
POTPOURRI. THIS, HOWEVER, HAS PROVIDED TINDEMANS AN

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 11342

"HONORABLE" ESCAPE FROM HIS SELF-IMPOSED MID-JUNE
DEADLINE (7 C BELOW).

7. NOW REFERRED TO IN THE PRESS AS THE "DINOSAUR BILL",
THE ENLARGED PACKAGE IS SCHEDULED FOR ENACTMENT IN THE
THREE FOLLOWING STAGES:

A. POLITICAL MEASURES

- ECONOMIC RELIEF FOR SMALL AND MIDDLE-SIZED FIRMS
- PUBLICLY-APPOINTED MANAGERS FOR CERTAIN

MARGINAL FIRMS

- STRENGTHENED PUBLIC HOLDING COMPANIES

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- CRACKDOWN ON TAX AND SOCIAL SECURITY FRAUD,
AND ON "BLACK" (ILLEGAL) WORK

ORIGINALLY SET FOR THE END OF MAY, THIS PHASE OF THE
PROPOSED LEGISLATION IS TO BE PRESENTED TO PARLIAMENT
BY MID-JUNE.

B. BUDGET MEASURES

- A 2 ACROSS-THE-BOARD CUT IN GOVERNMENT'S
1978 CURRENT EXPENDITURE BUDGET.

- LIMITATION OF GROWTH IN THE 1979 OPERATING
BUDGET TO THE RISE IN GNP.

THESE MEASURES ARE TO BE TAKEN BY GOVERNMENT DURING
THE SUMMER RECESS, UNDER SPECIAL POWERS DELEGATED
BY THE PARLIAMENT.

C. SOCIAL MEASURES

- VARIOUS MEASURES AIMED AT TRIMMING COSTS IN
THE HEALTH INSURANCE SYSTEM AND IN THE UNEMPLOY-
MENT COMPENSATION PROGRAM. THESE REFORMS,
WHICH ARE TO BE DEVELOPED IN CONSULTATION
WITH THE EMPLOYERS AND THE TRADE UNIONS, ARE
TO BE PRESENTED TO PARLIAMENT BY MID-DECEMBER.

8. FURTHER REFINEMENTS WITH REGARD BOTH TO CONTENT
AND PROCEDURE HAVE SINCE BEEN RUMORED IN THE PRESS.

SOCIALIST (FGTB) TRADE UNION LEADER GEORGES DEBUNNE
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CREATED A FUROR WHEN, ON JUNE 6, HE HANDED TO THE
PRESS COPIES OF GOVERNMENT WORKING DOCUMENTS ON REFORMS
STILL UNDER DISCUSSION BETWEEN THE GOVERNMENT AND
THE "SOCIAL PARTNERS." FURIOUS WITH DEBUNNE FOR
REVEALING INFORMATION DENIED EVEN TO SOME
GOVERNMENT MINISTERS, TINDEMANS HAS SUSPENDED CONSUL-

TATIONS WITH THE UNIONS AND EMPLOYER ORGANIZATIONS, INDICATING THAT THE CABINET WOULD "CONSULT" FURTHER WITH THEM AFTER THE MINSITERS HAD COMPLETED WORK ON THE BILL. THOUGH THIS COULD BE AS EARLY AS JUNE 12, IF ONE MAY JUDGE BY DEBUNNE'S ACT AND BY THE MOUNTING NEGATIVE REACTION TO THE CONTENT OF THE LEAKED DOCUMENTS, THE CABINET AND THE PARLIAMENT MAY BE HARD-PRESSED TO WIND UP THE AFFAIR IN TIME FOR THEIR SUMMER VACATIONS. SOME HAVE OBSERVED, HOWEVER, THAT THE BELGIAN GENIUS FOR COMPROMISE WORKS BEST UNDER PRESSURE OF VACATION DEADLINES.

9. COMMENT. ALL THE HARD BONES HAVING BEEN RELEGATED TO THE THIRD BASKET (DATED MID-DECEMBER), ANY SERIOUS JUDGEMENT ON THE COURAGE AND EFFICACY OF TINDEMANS II WILL AGAIN HAVE TO BE DEFERRED. AT YEAR I TINDEMANS II IS CLEARLY STILL HAVING TROUBLE GETTING ITS ACT TOGETHER. CHAMBERS

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